

Transcript of USTR Robert B. Zoellick  
Press Availability at the Ministry of Finance  
Brasilia, Brazil  
March 11, 2002

**Ambassador Zoellick:** Thank you very much. I apologize for keeping you all waiting, but I had a very good meeting with someone I respect a great deal. As you know, I just arrived in Brazil today and I am really here to emphasize five different ideas:

- First, as all of you know, today is the sixth-month anniversary of September 11<sup>th</sup>, the day of tragedy, of terrorism, at the World Trade Center and in Washington. So my first message is: thanks to the Brazilian people, who responded with great warmth and support to this tragedy that not affected not only the United States, but people from 80 other countries. And, in a few minutes, I will be going over to a memorial display at the Casa Thomas Jefferson.
- Second, I wanted to come to Brazil to listen and to learn. We have great respect for the actions that President Cardoso and his administration have taken in recent years in terms of economic reforms and opening up Brazil to the global economy. So, over the next few days, I wanted to try to talk to members of the government, people in the private business sector, NGOs, and others, to get a sense from Brazilians about what they think the next steps are in terms of Brazil's economic reforms and policies. Because, as I will talk about in the speech I am giving in São Paulo in a couple of days, I think that the steps that Brazil has taken have given a convergence of interests of the United States and Brazil. And I think that if these continue, there is the possibility for a very important partnership for the 21<sup>st</sup> Century.
- Third, I wanted to try to have discussions with my Brazilian colleagues about events in the Southern Cone – obviously particularly dealing with Argentina but also its effect on the other countries of Mercosul. And this is one of the reasons I want to meet with your Finance Minister, because he is a person that we respect greatly and I wanted to get his opinions on these issues.
- And, fourth, I am here to discuss the developments of the Free Trade Area of the Americas, or the Alca, because, as you may know, Brazil and the United States are scheduled to become co-chairs of this starting in October this year.

- And, fifth, I am here to discuss the WTO and various global issues because, as you probably know, Minister Lafer and I worked very closely together at Doha for the launch of the new Global Trade Round.

I had an excellent meeting with Minister Malan about a whole host of issues, and obviously one of the topics we raised was steel. Now, as I think you know, I have a press conference tomorrow with Minister Lafer, but I understand that in my absence you have organized two questions, which I will be happy to try to answer.

**Question (Tony Jeffries, Dow Jones News Wire):** Regarding the restrictions of steel import imposed the U.S., I would like to know if there will be a possibility for negotiation of the steel quotas imposed on Brazil and other countries by the U.S. And, if so, what conditions can be negotiated (...)?

**Ambassador Zoellick:** Do you want to translate for others or do they know the question?

**Press Officer:** They already know it.

**Ambassador Zoellick:** They know it? You worked it out? Ok. Well, let me start out – I know you have been very focused on the steel issue – and emphasize that, when the President and the rest of us moved forward with the safeguard action, we did so with a particularly keen interest about the interest of our partners in the Western Hemisphere and, in particular, Brazil. And, without getting into endless details, I will just point out that, by our calculation, some 87 percent of Brazil's steel exports will not even be touched by the safeguard. And because we excluded our free trade agreement partners – so, in this hemisphere that would include Mexico and Canada – and we excluded almost all the other products of developing countries, that means for the Western Hemisphere as a whole there is little or no effect of this safeguard on their steel exports.

Well, let me give a little fuller explanation of this from Brazil's perspective. Almost all the products other than what is called flat products of steel that are produced by Brazil are not even included in the safeguard at all. Most of Brazil's exports in the category of flat products are something called 'slab'. And we created something called a tariff rate quota for slab. The way that a tariff rate quota works is that up to the quota amount there is no additional tariff and above the quota amount one gets the tariff for that product, in the case of flat products, 30 percent. To determine the quota amount, we used the largest recent year – which was the year of 2000 – which was larger than the year 2001 because our economy was slower. But when we allocated the quota, we used the most recent year – which was 2001 – and that also serves Brazil's advantage, because Brazil's share in 2001 was 52 percent. So, in the area of slab, Brazil will start out with 2.8 million tons that have no extra tariff, and that level is at or above the most that Brazil has ever exported. And, in addition, in the second and third

years of this three-year safeguard, that quota amount will increase and Brazil will again get 52 percent of that increase.

Now, I've heard as I came in there was some talk in Brazil about saying, 'Well Korea got an exclusion, why can't Brazil get an exclusion?' This just shows how attentive I am to all of your questions.

You don't want Korea's exclusion.

Korea's exclusion covers a little less than 50 percent of its exports. In effect, what we have created for Brazil is almost 90 percent of your exports. Now I haven't taken math for a lot of years, but 90 percent strikes me as better than under 50 percent.

But let me make a key point on this steel issue. Since I don't expect you to be WTO specialists, let me explain what we have done. The WTO rules allow the use of something called safeguards under certain circumstances where imports have increased and created substantial injury to the domestic industry. There are some 20 of these used by various countries around the world, including Brazil.

So what President Bush decided to do upon the unanimous recommendation of an independent agency – the International Trade Commission – is to allow a limited three-year safeguard during which time our industry will have to restructure. Now one way that our industry has already restructured is to form business partnerships with countries like Brazil, and that's exactly what this slab imports issue is about. Because when recognizing that Brazil's industry is restructured, and the U.S. industry has restructured and will continue to restructure, we didn't want to do anything to disadvantage both countries having a partnership and more efficient production.

Because we all remember, and I'm sure you do as well, it was in 1940, in President Vargas's administration, that your steel industry was first financed by money from the U.S. government.

But my last point is that the context of President Bush's decision was one where he also urged other countries to join with the United States to get at the two other global aspects of the steel industry problem. And those two aspects are that the world industry has over-capacity due to a series of subsidies and protections and government interventions that have lasted some 50 years, and we need to get at those root causes of the problem.

So, in sum, we tried to construct this in a way that is a temporary safeguard for the United States, while we work with other countries on the global dimensions of the problem. And, in the process, we made specific efforts to help our free trade partners, help all countries in the Western Hemisphere, help developing countries, and, in particular, help Brazil.

Now please don't ask me to repeat the answer.

[laughter]

**Question:** And the negotiations?

**Ambassador Zoellick:** Oh, on negotiations.? ... There are two parts. One is that under the WTO rules we will engage in consultations with our trading partners, including Brazil. And second, when the president announced the safeguard, he also announced a 120-day period in which we would consider various exclusion requests that relate to particular companies and problems, and there's one that, in fact as I was leaving, we were dealing with Australia.

Now I'll take the second question and I'll try to be shorter.

**Question (Katherine Baldwin from Reuters):** The European Union, while you were in your meeting, confirmed that it was going to apply similar quotas to what the U.S. has done, to try to protect its own steel industry.

**Ambassador Zoellick:** We call it safeguards, not quotas.

**Baldwin:** Ok, safeguards in tariff quotas. So, I was wondering if that action by the European Union could make the United States change its position at all on its own safeguards? And is the U.S. aware that it is causing this wave to protectionism that seems to be sweeping the European Union and maybe other countries? And, if I could just add, Brazil's dissatisfaction on the steel issue, would that make the United States willing to negotiate any other trade issues that are currently in debate, for example, soy, agricultural subsidies, could there be some sort seeding on other issues?

**Ambassador Zoellick:** Did all of you get that or do you need a translation? On the first one, again, as I mentioned in my overly long answer to the first question, safeguards are a procedure under the WTO rules that any country can have access to that meets certain conditions. Now, because the United States has been much more open to steel than Europe has, the Europeans are now worried that if the United States has safeguards, that some of that steel that is flooded into the United States might flood into Europe. So, my first observation is it seems that Europe is recognizing the basic point we have been making, which is we have been absorbing much of the world's steel because it has been a much more open market.

Second, I urged the European Union that if it wishes to consider safeguards, they follow the same procedures we do which require finding of injury related to imports. We took seven months to analyze that issue and the President took another two months before making a decision. It strikes me as a little premature

for Europe to say it has a flood of imports when nothing has happened yet. And given that we excluded the developing countries, that we excluded the countries in transition that Europe is worried about as its neighbors, that we excluded our free trade partners, that we excluded 87 percent of Brazil's exports, I sincerely urge our European colleagues to wait and see before they act precipitously. Because one also needs to look at a safeguards action in the context of the overall global economy. And it appears that the United States economy is again recovering, where Japan and Europe are not. So I just think it is very premature to say that there is going to be a flood of imports to Europe when one doesn't know. But, of course, I respect my European colleagues' right to use the same WTO procedures we do. I just hope they follow them with the same care we did.

One last point to put this whole issue in a perspective: last year the United States imported over one trillion dollars of goods from around the world. U.S. steel imports, even at record levels, were about one percent of that amount. Our trade deficit was over 437 billion dollars. And again, as we start to grow more, we will be buying and importing more. So our major strategic interest is trying to help a U.S. industry go through the readjustment to improve its productivity to compete and, in the process, maintain support in the United States for those free markets and indeed expand them. And in those negotiations we should be addressing some of the other topics you mentioned, because the United States also has areas that it would like to open in Brazil and other economies.

And, just to leave you one final example, our automobile manufacturers face tariffs in Brazil of 35 percent. It is interesting, those tariffs are even higher than the temporary safeguard tariffs that we put on steel, including the exclusions.

But, so just to bring back to my major point of this trip, I have been extraordinarily impressed in the effort that Brazil has made, as a large continent-sized economy, to open itself up to the world of trade and globalization over the past decade. I think Brazil has a very strong future ahead of it as a global trading power. But over the next couple of days I want to hear what Brazilians think about that issue, because if they share that view, I think there are many opportunities for partnership and free trade agreements, but also on other things we do together around the world, including the WTO negotiations.

And now that we have answered all your questions, we can probably do away with the press conference tomorrow, but I will keep it on anyway.

Thank you.

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